

# Succession Plans & High Potential Employees

## OVERVIEW

Organizations are identifying high potential employees and using succession plans to prepare for the future of their operations, as they recognize that losing key managerial and leadership talent is a heavy price to bear. The following study conducted by ERC seeks to explore succession planning practices and the methodologies and competencies organizations are using to identify their high potential employees. The study confirmed:

- Less than a third of organizations are prepared for their current leaders to leave their organizations.
- The average age of a senior manager is 51, signaling that retirement age is near for senior leaders at local organizations.
- Only a quarter of organizations have a formal succession plan in place; however nearly 70% have at least an informal succession plan in place.
- Problem solving and decision making skills are the most common competencies sought after in high potential employees.
- Managerial discretion is the most commonly used methodology to identify high potential employees.

## SUCCESSION PLANS

Thirty-one percent of organizations surveyed report that they are prepared for top leaders to leave the organization. Nearly 70% (68.8%) of organizations say that they have the leadership talent they need to meet business demands. Fifty-six percent of organizations state that the rapidly aging workforce is impacting their talent pool. How old are these senior leaders? The results of the survey suggest that the average age among all organizations is around 51. Manufacturing organizations reported the highest average age of 53.

Exhibit 1: Average Age of Senior Managers

Average Age of Senior Managers	
	Percent
All Organizations	50.8
Manufacturing	53.3
Non-Manufacturing	48.8

In terms of organizations that have succession plans in place for various groups, surprisingly slightly more organizations report having one in place for their management than for their executives. Twenty five percent of organizations that have succession plans in place consider these plans formalized, meaning that three quarters of organizations do not have formal succession plans. This trend was consistent across industry as well. Fewer than 10% of organizations report having succession plans in place for non-management employees.

Exhibit 2: Succession Plans

Succession Plans	
	Percent
Executives	31.3%
Management employees	34.4%
Non-management employees	9.4%

What are the features of these succession plans? Local organizations report that performance management and support, development plans, leadership development programs, and skills assessments are the most popular components of their succession plans.

## Exhibit 3: Features of Succession Plans

Features of Succession Plans	
	Percent
Performance management and/or support	46.7%
Development plan	33.3%
Skills assessment	13.3%
Leadership development programs	6.7%

## HIGH POTENTIAL EMPLOYEES

Only 21% of organizations say that their line managers are trained to spot future leaders. Nonetheless, organizations report that several competencies are critical in identifying future leaders of the organization. Problem solving, decision making, and communication skills rank among the most critical competencies.

## Exhibit 4: Critical Leadership Competencies

Critical Leadership Competencies	
	Percent
Problem solving	81.3%
Decision-making	75.0%
Communication	68.8%
Leadership	68.8%
Strategic thinking	65.6%
Delivers results	56.3%
Innovation and creativity	50.0%
Planning	43.8%
Influencing others	31.3%
Negotiation	31.3%

These critical competencies differ by industry. Non-manufacturing organizations rank leadership, problem solving, delivering results, and strategic thinking skills ahead of communication skills. For all organizations, negotiation and influencing others rank among the least critical leadership competencies.

In addition to identifying critical competencies necessary for leadership, organizations also report usage of various methodologies to identify high potential employees. The most common methodologies reported by organizations were managerial discretion, performance evaluations, and previous roles or

experiences inside or outside of the organization. Career interests, assessments, and skills inventories were the least commonly used methodologies.

Exhibit 5: Methodologies for Identifying High Potentials

Methodologies for Identifying High Potentials	
	Percent
Managerial discretion	68.8%
Performance evaluations	56.3%
Previous roles or experiences inside or outside of the organization	46.9%
Current position in the organization	40.6%
Assessments	25.0%
Education	25.0%
Skills "inventory"	21.9%
Career interests	18.8%

## CONCLUSION

Succession plans play a critical role in preparing for an organization's future and also in retaining and developing key talent. There are numerous advantages of having a succession plan in place including:

- Ensures that the organization has an ongoing supply of exceptional leaders to carry out the organization's strategic plan.
- Aligns organizational goals with the availability of appropriate resources.
- Helps retain key talent and provides development opportunities for them.
- Provides important career development opportunities for high potential employees.
- Assists in smooth leadership transfers.
- Lessens the tremendous costs associated with absence of leadership and recruiting/hiring of new leadership.

For more information on how to implement an effective succession plan, please contact ERC at 440/684-9700.

<u>Participation</u>	
32 organizations	
<u>Size</u>	
1-200 employees	68%
201-500 employees	19%
500+ employees	13%
<u>Industry</u>	
Manufacturing	45%
Services	32%
Other	22%

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